

00:00 Farnoosh Torabi: So Money Episode 101, Dan Price.

[music]

00:05 Speaker 2: You're listening to So Money, with award-winning money guru, Farnoosh Torabi. Each day, you get a 30-minute dose of financial inspiration from the world's top business minds, authors, influencers, and from Farnoosh herself. Looking for ways to save on gas or double your double coupons? Sorry, you're in the wrong place. Seeking profound ways to live a richer, happier life? Welcome to So Money.

00:35 FT: Hello, everyone. Welcome back to So Money. How are you? I'm your host, Farnoosh Torabi. What a joy to host this show and to have you join me for today's incredible guest. His name is Dan Price, CEO of Gravity Payments. You know who I'm talking about. This man made headlines, and he continues to be in the spotlight for good reason. He announced last week that he will be raising the minimum wage at his company to \$70,000 per year. He is changing lives. And so, for all those good reasons, he is a public role model these days, one for all of us to see, witness and learn from, and today he is here to teach us all. And what's more, he is actually taking a paycut and reducing his CEO salary from one million to \$70,000 a year as well. Obviously, Dan is not your typical CEO. His leadership has earned him multiple awards, including the 2014 Seattle Business CEO Excellence Award, the Entrepreneur Magazine Entrepreneur of 2014 Award, and 2010 SBA National Young Entrepreneur of the Year Award.

01:42 FT: Dan started his company almost a decade ago, when he was 19 years old, out of his dorm room at Seattle Pacific University, with seed money given to him from his brother. Three takeaways from our interview with Dan: What he says to some skeptics that his pay raise is short-sighted, how the salary shift with impact Dan's life; remember, his salary is going from a million to \$70,000, and the great financial lessons he learned as child growing up in rural Idaho, home-schooled until the age of 12, in fact. Here is Dan Price.

[music]

02:22 FT: Dan Price, welcome to So Money. What an honor to have you on the show.

02:26 Dan Price: Thanks. I'm really pleased to be here.

02:29 FT: Well, congratulations! For starters, it's been an amazing week for you and your employees, and really the country. No one can stop talking about this, the fact that you're raising minimum wage at your company, Gravity Payments, to \$70,000. Obviously employees are over the moon, I've been watching them on TV talking about how they plan to now start that family, buy that house, get out of debt. You're changing lives. I'm curious, though, what was the reaction from your inner circle, your friends, your family, and even your industry peers who are out there running their own companies, were they like, "Jeez, thanks Dan. Way to raise the bar here for us, no pressure"?

[chuckle]

03:07 DP: I think at first there was a skepticism, and especially with folks that I talked to prior to the announcement, there was some concern that potentially that this could be something that I might regret, or cause a lot of risk. But when I talked them through the risk and reward and the growing

problem of inequality, the growing problem that as a country and as a world is important to me, but also just in my team, and what I've observed in terms of people that are very smart and very hard-working, not being able to make ends meet and not really seeming to have a very clear path to get there, we're always trying to improve that for them in other ways, it just seemed to make sense in a lot of ways. And so, I've gotten an enormous amount of positive response, I've gotten a little bit of negative response, but I've gotten hundreds of emails from CEOs that are saying, either they're gonna do something similar, or they're proud to do business with us because we do this, or they see why they get treated so well by our team, because these are people that really care about each other. So, it's been overwhelmingly positive so far, quite a bit more than I even expected, to be honest.

04:24 FT: And you said from the beginning that this is really just an experiment for now. How will you be measuring its success?

04:30 DP: First and foremost, will be our client satisfaction. That's what we've always built the whole company on. In my mind, I am a butler, I'm a servant for our clients which are amazing independent businesses all over the country, and we help them accept credit cards for less expensive, and give them great service. And so, if our clients are more satisfied, that's gonna be, to me, the most important bellwether. We never really had trouble attracting talent because we're very purpose-oriented. We never really had trouble retaining talent because the most important thing we provide to our team is not money, but it's an opportunity, opportunity to serve, opportunity to grow. But I do think that there was some level of distraction, and there must have been when you're living so close to paycheck to paycheck. And so, I really honestly believe that removing that distraction will significantly increase our ability to take care for our clients.

05:37 DP: And a lot of folks are talking about, "Oh, publicity this," and all that, but to tell you the truth, we don't actually make money on a new client until the second or third year that we do business with them. And so, for us, our product and our service, and everything about the way we deliver has to get better from this. It can't just be something that helps on the sales and marketing side.

06:00 FT: So productivity really has to improve for this to be viable?

06:04 S2: I think so, yeah. I think so. But a lot of it's quality. We're all, as a country and everybody, we're obsessed with numbers, things that can be quantified. But there are a lot of things that are really important in business that can't be quantified, and we can feel it when we deal with a company that really has our best interest at heart that cares for us, that gives us great service in a way that cannot be quantified. And for me, I think this will solve and help for a lot of things that can't be quantified. And so, the way that we will quantify it will go back to basically two questions: Are you satisfied with Gravity as your credit card processor to our clients, number one, and number two, how motivated are you to refer your friends and family that also own businesses to us? And we'll know if we got the stuff that can't be quantified right by that quantification.

06:57 FT: And how long do you think it will take to measure that? A couple of years?

07:01 DP: It's still so early to say. I'm sitting here, eight days past the announcement, and I was expecting it was a very emotional day. This has been boiling up in my soul for 10 years, and so it finally boiled over, and it was a huge release to kinda take the lid off the pot. And so, that was real exciting and emotional. And since then, a lot of people have been really excited about it and have

encouraged me to try to share my story with the hopes that it will inspire other people to also come together and do their part on income inequality. And so, I've really been spinning around a little bit, and I think that it could take probably a couple of years, if not, longer.

07:50 FT: Well, I'm curious about your personal story, and we're going to dig deeper in a couple of minutes. But just a few more questions about the announcement. You were inspired to raise the minimum wage because of a Princeton study that you read, and it's very well-known that found that, emotional well-being rises with income, but only to an extent, and that extent is around \$70,000-\$75,000 dollars. But was it just the study that was really the game changer for you? You said this was boiling up in you for a long time. Certainly the numbers also had to make sense in terms of how it would work for your bottomline.

08:25 DP: Yeah, and in the past, I couldn't do anything like this. We couldn't afford it. And so, that relieved a little bit of that imperative to me. But to me, once you know the right thing to do, and it's the right thing for everybody involved and gonna be beneficial for everyone involved, That's when it becomes a moral imperative to actually go through and do it. And so, in the past, as much as I would have wanted to do something like this, it wasn't practical, it wasn't the right timing. And so, with that Princeton study, one of the other lines from that that really hit home with me was, "The dollars that you're making underneath that amount are causing harm to your well-being." And that, to me, is powerful stuff. And we only get to live this life once. And I want everybody that I'm partnered with at Gravity to really live the fullest best life that they can. And so, that was a big part of it. And to be honest with you, all of that studies and stuff, you can throw it out the window if you just talk to people around Seattle, or really anywhere, and you see how it's impacting them, that's the top thing for me. So the day that I decided to do this, I was on a hike with a friend that had her rent hiked up a little bit. And she's incredibly smart, very hard-working, and her employer does a great job taking care of her, but market rates, being what they are, and living expenses being what they are, it was creating a very difficult, stressful situation for her.

10:01 FT: Now, for you, this is also gonna be a shift. You're going from a million dollars in salary to \$70,000. What sort of lifestyle and financial planning shifts will this mean for you?

10:14 DP: Yeah. Well, so my pay is based on market rates, and basically what would it cost to replace me as a CEO? And so, that's gonna be a little bit of a shift, and I do think in the long-term, it needs to get back to that because, if there's somebody better for the job that's available, or if for some reason, I can't fulfill my duties, the company needs to plan for that and be ready to hire a CEO. And so, we will have to, at some point, get back to market rates. But in the short-term, to be honest with you, I...

10:49 FT: Are you gonna cut back on coffee? Are you gonna sell your car?

[chuckle]

10:52 DP: Well, I am, but I wasn't linking my lifestyle to how much I was making, probably as much as some people do, and so that'll make it easier. I've been driving the same car for 12 years. I live in a fairly normal house, fairly normal circumstances. So, I may have to sell my house, to be honest, because it is a very nice house, and I don't wanna do that. I'm trying to figure out how I won't have to do that. Maybe eat out less and a few things like that. But fortunately, I had planned out things well enough that I'm hoping that I will have minimal disruption in my life, given how

busy I am at work, to be honest with you.

11:28 FT: How long did you keep this inside of you? I mean when did you decide to do this and when did you make the announcement? Because I would be bursting at the seams.

11:37 DP: It was two weeks and one day. It was 15 days. I was hiking on a Sunday, and I decided, and then two weeks later, the following Monday, I made the announcement. And I woke up with night terrors, which I always sleep great. I couldn't sleep for those two weeks. I was tempted to say "never mind" to myself, especially before I start telling some close confidants and stuff. But I was just like, "This is crazy. There's all this money that's gonna go out, there are so many other things we could do with that." It was really, really difficult. But at the end of the day, I really believe that the best investment that we could make as a company was to make this investment into our people, and it was, as a result, a huge relief when I finally made the announcement.

12:24 FT: Well, now I'm curious to learn a little bit more about your personal financial profile. I mean, what kind of a financially-minded and financially-experienced person arrives at a place of becoming, not just a CEO of a company, but one who has the moral high ground to raise the minimum wage to \$70,000 a year? And I ask this of all my guests, from Tony Robbins to Seth Godin, what's your financial philosophy, Dan? A money mantra that guides your decisions in your financial and business life, if you had to boil it down to one sentence? I'll give you two sentences if you need it.

12:58 DP: Well, I'll give you one word, "impact". So for me, it's all about impact. I want to live a good life, and I want to be happy. I know what's gonna make me happy is making a big impact and changing the world out there. And so, for me, money is a means to an end. It has no value, in and of itself. And I try to remember that there are multiple ways to use money to make an impact, but also multiple ways that don't involve money, and I'm reminded of a quote, and I can't remember if it's Gandhi, or Nelson Mandela, or somebody else, but the quote is, "It's a lot easier to change the world than you think." And I think that all of us, if we just do our part, and it's not a matter of trying to have some grandiose vision, doing the right thing for what's in front of you, being focused on the here and now, I think we can all make a big difference if we all commit to do that.

13:58 FT: Now, you grew up in rural Idaho, right?

14:02 DP: That's correct.

14:02 FT: Raised, home-schooled until the age of 12, you were living 30 miles from the closest grocery store. I cite the New York Times for this intel. How would you describe your exposure to money growing up as a kid? What would you say was your biggest money memory that impacted you as an adult in terms of how you think and act with your own money today?

14:21 DP: Yeah. Well, my parents both came from very modest backgrounds. Neither one of them went to college, and they started our family very young, so they're both in their early 20s. And I'm fourth of six kids. So, they worked incredibly hard, and them working incredibly hard was a necessity. And for me to be able to see that example from both of them was incredibly helpful, and I think it's probably the biggest thing that shaped how I look at money, but also, they were, they wanted to give us a good life, and all that kind of stuff. There was always a reason why. And my parents always had values that were more important than money. My Dad would ask me a question

when I was growing up. He'd say, "How much money is your integrity worth?" or "What grade on that test is your integrity worth?" or anything, and his point was, there's no amount of money that he would be willing to sell his integrity for. And that was ingrained in me in a very, very young age.

15:28 FT: Your dad was a huge influence in your life, and he is an advocate for... Well, he's a very prominent speaker in the business world. Tell us a bit more about that relationship and how he might have been a bit of a role model for you.

15:43 DP: Absolutely. Role model, mentor, everything. As a kid, I really looked up to my dad. He worked so hard, and I determined that if I could just be one-tenth of the man that he is, both as just a man, but also a businessman, that I could consider my life to be a huge success. And so, he had me reading business books at a very young age, had me studying. He talked to me like I was an adult at a very young age. He let me sit at the table, as he was talking to colleagues and associates, and even get a word in here or there. So, it was incredibly helpful. And, even now today, anytime I'm facing a tough decision, even like this one, I called him when I made it, before I announced it and said, "Dad, tell me the pros and cons as you see it. Tell me your concerns. Tell me if you've ever seen anything like this before. What should I be watching out for?" And I made sure to hear him out and hear what he had to say before I made a decision.

16:41 FT: What did he have to say about the latest announcement?

16:45 DP: He said that there are really three ways to set pay. One is based on what it takes to live, which is what this one's based on, and he said then the other ones are based on how much value you're adding, and/or the market rate. And he said as long as I was still compensating folks at the top above that, based on market rate and how much value they're adding, he thought that I had every right and ability to set that kind of starting point wherever I wanted.

17:14 FT: Yeah, because that's sort of one of the misperceptions as I was reading about this announcement and I'm reading both sides of the... Because it has sparked a debate, right? And so...

17:22 DP: Right.

17:23 FT: There are some people who are misled to believe that everyone in the company will always make \$70,000. So people call it "socialism," but...

17:32 DP: Yeah.

17:32 FT: You just proved them wrong. This is actually just the minimum wage, and that people have the potential to be compensated even more.

17:40 DP: Yeah. It's a starting point. And I think that it's dangerous for a number of reasons. One is a practical business solution kind of preempts the political discussion, and a lot of these folks make their money based on political disagreement and polarization and all that kind of stuff. So I think that it is somewhat threatening to certain people out there. And then also, I'm not sure how relevant it is to a widespread minimum wage, and our results of an economy, or cities competing against each other, but I'm sure there are people that will look at it and say, "It is relevant," and will try to determine if our success or failure leads to some type of conclusion on that debate as well.

18:23 FT: Well, speaking of failure, you transitioned this very well. Because I ask this of my guests, too, often, which is, what would you say was your greatest financial failure? What happened, and what did you learn?

18:36 DP: Well, in 2008, when the recession hit, I was running my company largely as a non-profit. We weren't making any money, we didn't have any goals of making any money, and we were so happy because our clients loved us and they trusted us, and we just said, "We're just gonna do this forever." And everything was going very well, but then the recession hit and we lost 20% of our revenue overnight. And I didn't plan for it, and there, again, that night, it was close to 80% or 90%, to get 80% paycut to help us get through that. And we were able to get through without doing any price increases, and no layoffs and no benefit cuts, but just barely. We got lucky. There were three distinct points where we almost didn't make it. And so, I promised myself that the next time I faced a recession, I would be prepared for it because we're small enough that we could kinda recover just based on willpower but I knew when we were bigger, it would take a little bit more planning, and having a better contingency to get through it.

19:43 FT: And you are a distinguished CEO. You've been recognized by many magazines as a top CEO, and you're very young. Mind if I ask your age?

19:52 DP: Not at all. I'm 30 years old. I'm gonna turn 31 in May.

19:57 FT: 30 years old? Amazing, amazing to be just 30, and having accomplished so much. And so, last week was a spectacular announcement. Prior to that, though, what would you say would merit the title of, "My So Money moment, my biggest financial success moment"?

20:11 DP: Okay. So I got a quick one that's a perfect example of me. I had somebody just starting out, an administrative person that, apparently, reached out to Entrepreneur Magazine, and asked them about this Entrepreneur of The Year Award. And they said, "Oh, yeah, we know who your boss is. Send us some info on him. We'll consider him". And I thought it was crazy. And then she came back and she was like, "Oh, you're a top 10 finalist. We need to make a video, but we're kind of late, it's due next Tuesday," this was a Thursday, "And we need to make it right away. They're gonna put it on their website, and it's gonna be part of the process, this video, and there's gonna be voting and all that." I said, "You guys are crazy, there's zero chance that we have to do this. We're really busy." I'd been in the limelight a little bit, the week before, and I just didn't want any more attention. And I just said, "No, I'm not gonna do it," and they begged me. And then on Friday, they begged me again, so I did it. And then one of our entry level tech support guys, a call center guy was like, "Well, I know how to make videos," and I was like, "Sure you do."

21:19 FT: [chuckle] Your employees do deserve a raise, my goodness.

21:22 DP: Yeah. And so, he made this video over the weekend, and it went viral on Entrepreneur Magazine's website. And that was probably why we ended up being named Entrepreneur of the Year, and I ended up on the cover of Entrepreneur Magazine. And that's a perfect example of the type of life that I have and what inspired me to make this type of decision because, I was kicking and screaming the whole time, and they're like "Hey, Dan, we need you out front on this one." And a lot of times I'm more comfortable behind the scenes, and it changed my life in a way. That's one of those things that's really cool to have, that anybody would dream of having. I never really sought it out in a way, but I was really, really happy and excited about it.

22:05 FT: And then you're on the cover of Entrepreneur Magazine. What a happy ending to that story. My goodness. Oh, wow. Well, I'm sure you're a man of many habits, hopefully mostly good ones. When it comes to your financial life, what's one of your number one money habit?

22:22 DP: You know, I'm a saver. It's just ingrained in me, so I'm always doing contingency planning. There's a part of me that thinks that when everybody else is spending, and things are crazy, that's the time to really double down on the saving. And then when everybody else is maybe kinda panicked a little bit, that's the time when you might consider doing a little bit more spending, or upgrading your home, or maybe making some capital improvements or whatnot. So, I try to just go against the grain a little bit, and I try to save as much as I can.

23:00 FT: Yeah, I think it was Warren Buffett who had a saying something like, "When everyone's running to the forest, into the woods, that's when you wanna be taking a little bit of risk and spending your money investing in areas where everyone's exiting." That's very smart. We are almost wrapped up here, Dan. I know you're a busy guy. And I have a fun end to the show, which is just, fill in the blanks, So Money fill in the blanks. I start a sentence, you finish it for me. "If I won the lottery tomorrow," I don't take you as a lottery player, but if you did win some big money, let's say \$100 million, what's the... The first thing you would do is?

23:40 DP: I would probably... That is so tough. I have no idea, honestly.

23:49 FT: [chuckle] You'd keep your house?

23:50 DP: I'd probably keep everything the same for a really long time, and think about it for a really long time. [laughter]

23:56 FT: So, you would take pause? Okay, that's fair. That's smart.

23:59 DP: Yeah, pause, I'd pause. That's the word.

24:01 FT: "The one thing that I spend my money on that makes my life easier or better is... "

24:11 DP: I would say exercise. I don't mind if it's related to exercise or some type of outdoor adventure, I'm willing to spend whatever.

24:20 FT: And Seattle's perfect for that.

24:22 DP: Exactly.

24:23 FT: "My biggest guilty pleasure that I spend a lot of money on, maybe too much, but it's my guilty pleasure and I love it," what is it?

24:35 DP: I would say a massage, every once in a while.

24:37 FT: Right on. Yeah, I get that from a number of CEOs. I sense there might be some stress in your lives.

24:43 DP: Yeah. [chuckle]

24:44 FT: Just a little. "One thing I wish I had known about money growing up is... "

24:54 DP: That it's not as important as it seems.

24:58 FT: "When I donate money, I like to give to, blank, because... "

25:05 DP: I like to give to causes where they're entrepreneurial, because the money can go even further.

25:17 FT: And last but not least, "I'm Dan Price, and I'm So Money because... "

25:23 DP: I have an amazing team and amazing clients.

25:26 FT: Well, we are thankful for you, Dan, for being a leader in this space. We need more people like you, more CEOs like you. And I'm gonna latch on to one of your quotes. It's actually your dad's quote, which is, "How much is your integrity worth?" I think that's a good question for all of us to consider and ask once in a while. Thank you so much, and hope to have you back. And we'll be watching your success.

25:46 DP: Thanks for having me on the show.

25:50 FT: Thanks again to my phenomenal guest, Dan Price. If you'd like to learn more about him and his mission and the company, Gravity Payments, check out their website, gravitypayments.com. Dan is also on Twitter, [@danpriceseattle](https://twitter.com/danpriceseattle). We've got all this information at SoMoneyPodcast.com, as well as the comments for this episode. And there, while you're at So Money podcast, click on Ask Farnoosh. It's a way for us to connect. Send me your biggest, baddest money question, or question about your career, about life, about babies. I get it all, and I try to answer it all on the weekends. I dedicate Saturday and Sunday to answering your questions on my Ask Farnoosh episodes.

26:26 FT: And as a reminder, if you'd like to connect with me even further for, let's say a one-on-one, a 50-minute money session, I give away one a week for free to listeners who leave a review on iTunes. So, if you've yet to leave a review, hop on now, leave a review. Every Saturday, at the top of the show, I pick one new reviewer, read the review out loud to the audience, and then that person wins a free 50-minute money session with me. So, if this interests you, I encourage you to do this and I hope that we will connect.

26:56 FT: Thanks so much for tuning in. Thanks, of course, to my amazing guest, Dan Price. Hope you have a great rest of your day. I hope it's So Money.

[music]

Thank You for choosing Scribie.com

Cross-check this transcript against the audio quickly and efficiently using our online Integrated Editor. Please visit the following link and click the Check & Download button to start.

<https://scribie.com/files/3d829156474f434d945ac10bfc382dc0ebb6a339>